

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM
HURRICANES KATRINA AND RITA
OCTOBER 2009 - DECEMBER 2009



AGREED-UPON PROCEDURES REPORT
ISSUED APRIL 21, 2010

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

March 3, 2010

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

MARK A. COOPER, DIRECTOR
GOVERNOR'S OFFICE OF HOMELAND
SECURITY AND EMERGENCY PREPAREDNESS
Baton Rouge, Louisiana

We performed the procedures enumerated below for the fourth quarter of 2009 (October 1, 2009 through December 31, 2009), which were requested and agreed to by management of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), solely to assist you in fulfilling your responsibility for implementing the Public Assistance (PA) program by reviewing documents submitted by sub-grantees in support of reimbursement claims and your technical assistance contractor's invoices. GOHSEP management is responsible for the day-to-day operations of PA. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the applicable attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of management of GOHSEP. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report is a summary of the findings that we present to GOHSEP management on a daily basis. The procedures that we performed and our findings are as follows:

Technical Assistance Contractor Invoice Review

Procedure: Compare the technical assistance contractor, James Lee Witt Associates (JLWA), invoices to the contract guidelines to determine if the:

- (1) invoices were submitted in accordance with the contractual guidelines;
- (2) invoices have all the required signatures;
- (3) invoices are within the required time period; and
- (4) invoices are supported by subcontractor invoices, time records, and receipts.

Finding: For the fourth quarter of 2009, the contractor presented six invoices totaling \$5,442,858 to GOHSEP for payment. Through a post-payment review, we did not identify any questionable costs. The table below details the information for the contractor.

Contractor	Number of Invoices	Total Invoiced Amount	Questioned Costs
JLWA	6	\$5,442,858	\$0

Contract terms for JLWA state that invoices should be submitted within 30 days of the billing period end date. JLWA submitted four of its invoices within 30 days of the billing period end date. JLWA submitted the remaining two invoices more than 30 days after the billing period had ended.

Public Assistance

We reviewed 2,641 expense reviews totaling \$305,207,181 along with their supporting documentation as prepared by the GOHSEP disaster recovery specialists. Through the use of these reviews, disaster recovery specialists document their findings for reimbursement claims submitted by sub-grantees. For all large projects [as defined in 44 CFR 206.203(c)(1)], we reviewed the expense reviews and the supporting documentation to confirm that the reimbursement claims are in compliance with federal and state guidelines and properly documented.

We developed findings of review for each of the 2,641 expense reviews analyzed during this period. Each finding was presented to management to keep them informed of our concerns.

Procedure: When the work undertaken by the sub-grantee was accomplished through the use of contractors, confirm that:

- (1) documentation provided in the sub-grantees’ reimbursement requests is for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) costs listed on the contract summaries are supported with invoices, receipts, lease agreements, and/or contracts; and
- (4) each contract was procured in accordance with federal and/or state laws.

Finding: We identified 2,226 expense reviews where the work was accomplished by a contractor. On those reviews, the disaster recovery specialists indicated total documented expenses of \$273,038,913. We did not detect deficiencies in 2,067 of the 2,226 expense reviews. However, we noted deficiencies in 159 expense reviews containing documented expenses totaling \$30,914,459. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected on 158 of the expense reviews related directly to:

- (1) work outside the scope of work listed for projects;
- (2) line items or project cost over-runs within the scope of work that were not identified;
- (3) costs listed on contract summaries that lacked supporting documentation; or
- (4) contracts that were not procured in accordance with federal and/or state laws.

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$10,263,357 (3.36% of the total amount reviewed or 3.76% of the documented expenses for this category). The deficiencies detected on the remaining expense review related to effective writing/communication which would not have resulted in any questioned costs.

Procedure: When the work undertaken by the sub-grantees was accomplished through the use of the sub-grantees' equipment, confirm that:

- (1) documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) an operator was listed for each piece of equipment listed on the force account equipment summaries;
- (4) equipment hours claimed on the force account equipment summaries agreed with the employee hours claimed on the force account labor summaries; and
- (5) the equipment rate used in calculating the reimbursement amount is in accordance with the FEMA equipment rate schedule or a locally adopted and approved equipment rate schedule.

Finding: We identified 33 expense reviews where the work was accomplished by using the sub-grantees' equipment. On those reviews, the disaster recovery specialists indicated total documented expenses of \$913,531. We did not detect deficiencies in 32 of the 33 expense reviews. However, we noted deficiencies in one expense review containing documented expenses totaling \$181,497. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies noted are the result of equipment hours listed on the equipment summary that do not agree with the employee hours claimed on the labor summary.

Had these deficiencies not been detected, they could have resulted in questioned costs totaling \$1,143 (0.0004% of the total amount reviewed or 0.13% of the documented expenses for this category).

Procedure: When the work undertaken by the sub-grantees was accomplished through the use of the sub-grantees' employees, confirm that:

- (1) documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project worksheet;
- (2) line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) there is a disaster-related job description for each employee listed on the force account labor summaries;
- (4) employee hours listed on the force account labor summaries are in accordance with the sub-grantees' overtime policies and that only hours spent conducting work that was a direct result of the disaster are claimed for reimbursement; and
- (5) fringe benefit calculations prepared by the sub-grantees include only eligible elements and are mathematically accurate.

Finding: We identified 63 expense reviews where the work was accomplished using the sub-grantees' employees. On those reviews, the disaster recovery specialists indicated total documented expenses of \$23,546,143. We did not detect deficiencies in 56 of the 63 expense reviews. However, we noted deficiencies in seven expense reviews containing documented expenses totaling \$428,055. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected in six expense reviews related directly to:

- (1) work outside the scope of work listed for projects;
- (2) line items or project cost over-runs within the scope of work that were not identified;
- (3) disaster-related job descriptions for each employee that were not listed on the labor summaries;
- (4) employee hours listed on labor summaries do not agree with sub-grantees' overtime policies or hours claimed were not for disaster-related work; or
- (5) the fringe benefit calculation containing ineligible items or mathematical inaccuracies.

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$106,013 (0.03% of the total amount reviewed or .45% of the documented expenses for this category). The deficiencies detected on the remaining expense review related to effective writing/communication which would not have resulted in any questioned costs.

Procedure: When the sub-grantees purchased or used materials from inventory to accomplish the work detailed in the scope of the project worksheets, confirm that:

- (1) documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) costs listed on the material summaries are supported with invoices, receipts, lease agreements, and/or contracts; and
- (4) materials were procured in accordance with federal and/or state laws.

Finding: We identified 302 expense reviews where the sub-grantees used materials from inventory or purchased materials to accomplish the work. On those reviews, the disaster recovery specialists indicated total documented expenses of \$7,199,349. We did not detect deficiencies in 283 of the 302 expense reviews. However, we noted deficiencies in 19 of the expense reviews containing documented expenses totaling \$903,515. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected in 18 of the expense reviews related directly to:

- (1) work outside the scope of work listed for projects;
- (2) line items or project cost over-runs within the scope of work that were not identified;
- (3) costs listed on material summaries that were not supported by documentation; or
- (4) materials that were not procured in accordance with federal and/or state laws.

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$437,253 (0.14% of the total amount reviewed or 6.07% of the documented expenses for this category). The deficiencies detected on the remaining expense review related to effective writing/communication which would not have resulted in any questioned costs.

Procedure: When the work undertaken by the sub-grantees was accomplished through the use of rented equipment, confirm that:

- (1) documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) costs listed on the rented equipment summaries are supported with invoices, receipts, lease agreements, and/or contracts; and
- (4) equipment was procured in accordance with federal and/or state laws.

Finding: We identified 17 expense reviews that contained total documented expenses of \$509,246 where rented equipment was used to accomplish the work. Through our analysis, we did not detect deficiencies in 16 of the 17 expense reviews. However, we noted deficiencies in one expense review containing documented expenses totaling \$53,112. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies noted are the result of documentation provided in the sub-grantee's reimbursement requests for work that is not in the scope of work for that project.

Had these deficiencies not been detected, they could have resulted in questioned costs totaling \$53,112 (0.02% of the total amount reviewed or 10.43% of the documented expenses for this category).

Procedure: Confirm that the reimbursement requests and the parish/local certification documents are dated on or after the creation of the project worksheets.

Finding: We reviewed the reimbursement requests and the parish/local certifications included in 2,515 expense review form packages. We noted that the date was incorrect on seven of the certifications. The expense review form packages were returned to the disaster recovery specialists for correction.

We were not engaged to and did not conduct an examination, the objective of which would be to express an opinion on GOHSEP's compliance with federal and state regulations, GOHSEP's internal control over compliance with federal and state regulations, or GOHSEP's financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

This report is intended solely for the information and use of GOHSEP management. However, by provisions of state law, this report is a public document and has been distributed to the appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive, with the first name being the most prominent.

Daryl G. Purpera, CPA
Legislative Auditor

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Management's Response



BOBBY JINDAL
GOVERNOR

State of Louisiana
Governor's Office of Homeland Security
and
Emergency Preparedness

MARK A. COOPER
DIRECTOR

March 17, 2010

Daryl Purpera, CPA
Temporary Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, Louisiana 70804-9397

RE: Draft Public Assistance Division Quarterly Report
Fourth Quarter, Hurricanes Katrina and Rita

Dear Mr. Purpera:

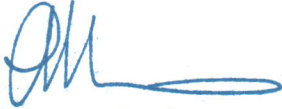
We have received the draft report compiled by the Legislative Auditor's Recovery Assistance Division reviewing the State's Public Assistance (PA) program for Hurricanes Katrina and Rita for the fourth quarter of 2009 (October 1, 2009 through December 31, 2009). We concur in the findings as identified in the report and note the continued improvement in the process.

As a matter of practice, we use the reports as a training tool for our grants management process to continue the improvements in the process and to identify trends that need correction. Additionally, we continue to meet bi-weekly with the LLA team and our management group to discuss problems and issues so that we may proactively address them and give consistent direction. Specifically, as related to document review and tracking, we have fine tuned our Expense Review Tool (ERT) and continue to look for opportunities to enhance ERT. In addition we are working on supplemental training for ERT. Writing and communication continues to be an issue. In addition to participating in the LLA writing and communication courses, we are developing some standard language which has been approved by the LLA staff to be used in expense review. We anticipate that this exercise will alleviate some of the written-communication issues.

Daryl Purpera, CPA, Page 1 of 2

Your LLA Team continues to assist us in the improvement of our processes and continues to provide outstanding advice and counsel. Their continued analysis of our public-assistance procedures will assist us in achieving our 100%-accuracy goal.

Sincerely,



Mark DeBosier
Deputy Director - Disaster Recovery

MD:sh

cc: Mark A. Cooper, Director